

KEOKUK COUNTY

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2004

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KEOKUK COUNTY

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2004)		
Richard Denny	Board of Supervisors	Jan. 2007
Ernie Greiner	Board of Supervisors	Jan. 2007
Mary K. Krier	Board of Supervisors	Jan. 2005
Christy Bates	County Auditor	Jan. 2005
Christine Edmundson	County Treasurer	Jan. 2007
Nancy T. Snakenberg	County Recorder	Jan. 2007
Ron George	County Sheriff	Jan. 2005
John E. Schroeder	County Attorney	Jan. 2007
Drew Sanders	County Assessor	Jan. 2004
(After January 2004)		
Richard Denny	Board of Supervisors	Jan. 2007
Ernie Greiner	Board of Supervisors	Jan. 2007
Mary K. Krier	Board of Supervisors	Jan. 2005
Christy Bates	County Auditor	Jan. 2005
Christine Edmundson	County Treasurer	Jan. 2007
Nancy T. Snakenberg	County Recorder	Jan. 2007
Ron George	County Sheriff	Jan. 2005
John E. Schroeder	County Attorney	Jan. 2007
Drew Sanders	County Assessor	Jan. 2010

INDEPENDENT AUDITOR'S REPORT

To the Officials of Keokuk County:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Keokuk County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Keokuk County at June 30, 2004 and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 13 to the financial statements, during the year ended June 30, 2004, Keokuk County adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments; Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule - Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, we have also issued our report dated February 9, 2005 on our consideration of Keokuk County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The budgetary comparison information on pages 46 through 48 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

The County has not presented management's discussion and analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on that information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Keokuk County's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2003 (none of which are presented herein) and expressed qualified opinions on those financial statements due to the omission of the general fixed assets account group. The supplementary information included in Schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Oskaloosa, Iowa
February 9, 2005

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Basic Financial Statements

KEOKUK COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Assets	
Cash and pooled investments	\$ 4,912,818
Cash with fiscal agent	565,491
Receivables:	
Property tax:	
Delinquent	9,593
Succeeding year	2,926,000
Interest and penalty on property tax	28,830
Accounts	12,354
Accrued interest	5,066
Special assessments	37,489
Due from other governments	302,901
Contracts receivable (note 4)	164,449
Revolving loan receivable (note 5)	150,000
Inventories	409,374
Prepaid expenses	115,995
Capital assets, net of accumulated depreciation (note 6)	<u>3,704,487</u>
Total assets	<u>13,344,847</u>
Liabilities	
Accounts payable	143,018
Salaries and benefits payable	70,659
Due to other governments (note 7)	83,531
Accrued interest payable	5,945
Deferred revenue:	
Succeeding year property tax	2,926,000
Other	60,869
Long-term liabilities (note 8):	
Portion due or payable within one year:	
Capital loan notes	64,000
Compensated absences	208,194
Portion due or payable after one year:	
Capital loan notes	<u>1,195,000</u>
Total liabilities	<u>4,757,216</u>

KEOKUK COUNTY
STATEMENT OF NET ASSETS
June 30, 2004

	<u>Governmental Activities</u>
Net Assets	
Invested in capital assets	\$ 3,704,487
Restricted for:	
Supplemental levy purposes	624,849
Mental health purposes	954,614
Rural services	83,222
Secondary roads	2,840,554
Capital projects	6,571
Other special revenue purposes	439,351
Unrestricted	<u>(66,017)</u>
Total net assets	\$ <u><u>8,587,631</u></u>

See notes to financial statements.

KEOKUK COUNTY
STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and and Changes in Net Assets
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
Governmental Activities:					
Public safety and legal services	\$ 920,060	\$ 55,598	\$ -	\$ -	(864,462)
Physical health and social services	678,609	403,440	142,381	-	(132,788)
Mental health	663,052	-	441,615	-	(221,437)
County environment and education	400,845	193,982	62,485	-	(144,378)
Roads and transportation	3,147,466	2,110	2,176,171	1,050,520	81,335
Government services to residents	326,036	184,188	36,885	-	(104,963)
Administration	823,150	20,932	-	-	(802,218)
Interest on long-term debt	54,709	-	41,467	-	(13,242)
Capital projects	240,461	-	-	-	(240,461)
Total	\$ 7,254,388	\$ 860,250	\$ 2,901,004	\$ 1,050,520	(2,442,614)
General Revenues:					
Property and other county tax levied for:					
General purposes					2,597,910
Mental health					265,329
Penalty and interest on property tax					41,648
State tax credits					169,717
Grants and contributions not restricted to a specific purpose					19,144
Unrestricted investment earnings					79,338
Miscellaneous					74,134
Total general revenues					3,247,220
Change in net assets					804,606
Net assets beginning of year, as restated (note 13)					7,783,025
Net assets end of year					\$ 8,587,631

See notes to financial statements.

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KEOKUK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Assets				
Cash and pooled investments	\$ 1,170,680	\$ 1,038,437	\$ 75,254	\$ 2,259,399
Cash with fiscal agent	565,491	-	-	-
Receivables:				
Property tax:				
Delinquent	6,395	1,099	2,099	-
Succeeding year	1,430,000	245,000	1,251,000	-
Interest and penalty on property tax	28,830	-	-	-
Accounts	9,846	-	-	2,508
Accrued interest	4,995	-	-	-
Special assessments	-	-	-	-
Due from other governments	94,839	-	11,160	182,706
Contracts receivable (note 4)	-	-	-	164,449
Revolving loan receivable (note 5)	-	-	-	-
Inventories	-	-	-	409,374
Prepaid expenses	52,521	-	-	-
Total assets	<u>\$ 3,363,597</u>	<u>\$ 1,284,536</u>	<u>\$ 1,339,513</u>	<u>\$ 3,018,436</u>

Nonmajor Governmental Funds	Total Governmental Funds
\$ 276,996	\$ 4,820,766
-	565,491
-	9,593
-	2,926,000
-	28,830
-	12,354
71	5,066
37,489	37,489
14,196	302,901
-	164,449
150,000	150,000
-	409,374
-	52,521
<u>\$ 478,752</u>	<u>\$ 9,484,834</u>

KEOKUK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 65,384	\$ 7,794	\$ 5,291	\$ 57,435
Salaries and benefits payable	32,046	940	-	37,673
Due to other governments (note 7)	10,163	73,368	-	-
Deferred revenue:				
Succeeding year property tax	1,430,000	245,000	1,251,000	-
Other	35,225	1,099	2,099	164,449
Total liabilities	<u>1,572,818</u>	<u>328,201</u>	<u>1,258,390</u>	<u>259,557</u>
Fund balance:				
Reserved for:				
Inventories	-	-	-	409,374
Prepaid expenses	52,521	-	-	-
Supplemental levy purposes	628,299	-	-	-
Medicare	5,235	-	-	-
Capital loan notes	565,491	-	-	-
Unreserved, reported in:				
General fund	539,233	-	-	-
Special revenue funds	-	956,335	81,123	2,349,505
Capital projects fund	-	-	-	-
Total fund balances	<u>1,790,779</u>	<u>956,335</u>	<u>81,123</u>	<u>2,758,879</u>
Total liabilities and fund balances	<u>\$ 3,363,597</u>	<u>\$ 1,284,536</u>	<u>\$ 1,339,513</u>	<u>\$ 3,018,436</u>

See notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,780	\$ 137,684
-	70,659
-	83,531
-	2,926,000
181,936	384,808
<u>183,716</u>	<u>3,602,682</u>
-	409,374
-	52,521
-	628,299
-	5,235
14,954	580,445
-	539,233
273,511	3,660,474
6,571	6,571
<u>295,036</u>	<u>5,882,152</u>
<u>\$ 478,752</u>	<u>\$ 9,484,834</u>

KEOKUK COUNTY

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2004

Total fund balances of governmental funds	\$ 5,882,152
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds. The cost of assets is \$6,217,687 and the accumulated depreciation is \$2,513,200.	3,704,487
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds.	384,808
The Internal Service Fund is used by management to charge the costs of the County's health and dental insurance benefit plan to individual funds. The assets and liabilities of the Internal Service Fund are included in governmental activities in the statement of net assets.	89,323
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(5,945)
Long-term liabilities, including notes payable and compensated absences payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,467,194)</u>
Net assets of governmental activities	<u><u>\$ 8,587,631</u></u>
See notes to financial statements	

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KEOKUK COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue			
	General	Mental Health	Rural Services	Secondary Roads
Revenues:				
Property and other County tax	\$ 1,413,752	\$ 265,113	\$ 1,181,756	\$ -
Interest and penalty on property tax	32,710	-	-	-
Intergovernmental	647,999	458,491	177,884	2,220,244
Licenses and permits	17,656	-	-	2,317
Charges for service	223,758	-	-	428
Use of money and property	93,174	-	36	-
Miscellaneous	9,000	-	-	37,495
Total revenues	2,438,049	723,604	1,359,676	2,260,484
Expenditures:				
Operating:				
Public safety and legal services	906,648	-	-	-
Physical health and social services	656,083	-	-	-
Mental health	-	662,544	-	-
County environment and education	183,301	-	203,305	-
Roads and transportation	-	-	293,688	2,869,091
Government services to residents	310,657	-	1,622	-
Administration	817,056	-	-	-
Debt service	9,509	-	-	-
Capital projects	-	-	-	338,594
Total expenditures	2,883,254	662,544	498,615	3,207,685
Excess (deficiency) of revenues over (under) expenditures	(445,205)	61,060	861,061	(947,201)
Other financing sources (uses):				
Sale of capital assets	60	-	-	-
Interfund transfers in	-	-	-	1,000,000
Interfund transfers out	(5,000)	-	(1,000,000)	-
Capital loan notes issued	575,000	-	-	-
Total other financing sources (uses)	570,060	-	(1,000,000)	1,000,000

Nonmajor Governmental		
Funds	Total	
\$ -	\$ 2,860,621	
-	32,710	
84,530	3,589,148	
-	19,973	
82,939	307,125	
64,473	157,683	
52,955	99,450	
<u>284,897</u>	<u>7,066,710</u>	
-	906,648	
-	656,083	
-	662,544	
-	386,606	
-	3,162,779	
3,328	315,607	
-	817,056	
23,000	32,509	
122,712	461,306	
<u>149,040</u>	<u>7,401,138</u>	
<u>135,857</u>	<u>(334,428)</u>	
-	60	
5,000	1,005,000	
-	(1,005,000)	
-	575,000	
<u>5,000</u>	<u>575,060</u>	

KEOKUK COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2004

		Special Revenue		
	General	Mental Health	Rural Services	Secondary Roads
Net change in fund balances	\$ 124,855	\$ 61,060	\$ (138,939)	\$ 52,799
Fund balances beginning of year, as restated (note 13)	1,665,924	895,275	220,062	2,706,080
Fund balances end of year	<u>\$ 1,790,779</u>	<u>\$ 956,335</u>	<u>\$ 81,123</u>	<u>\$ 2,758,879</u>

See notes to financial statements.

Nonmajor Governmental Funds		Total
<u> </u>		<u> </u>
\$	140,857	\$ 240,632
 <u>154,179</u>		 <u>5,641,520</u>
\$	<u>295,036</u>	\$ <u>5,882,152</u>

KEOKUK COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

Net change in fund balances - total governmental funds \$ 240,632

Amounts reported for governmental activities in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures while
governmental activities report depreciation expense to allocate those
expenditures over the life of the assets. The amount of capital outlays and
depreciation expense in the current year are as follows:

Capital outlays	\$ 511,977	
Capital assets contributed by the Iowa Department of Transportation	1,050,520	
Depreciation expense	<u>(259,742)</u>	1,302,755

Because some revenues will not be collected for several months after the
County's year end, they are not considered available revenues and are
deferred in the governmental funds.

Property tax	11,556	
Contract payments	(82,240)	
Revolving loan payments	(75,000)	
Special assessment payments	<u>(18,079)</u>	(163,763)

Note proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the statement of net
assets. (575,000)

Repayment of note principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net
assets. 20,000

Payments by other entities to retire capital loan notes are not recorded in
governmental funds. However, the payments are recorded as
miscellaneous revenues in governmental activities to offset the
long-term liability retired. 64,000

Some expenses reported in the statement of activities do not require the use
of current financial resources and, therefore, are not reported as
expenditures in governmental funds, as follows:

Compensated absences	(60,035)	
Interest on long-term debt	<u>(733)</u>	(60,768)

KEOKUK COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

The Internal Service Fund is used by management to charge the costs of employee health benefits to individual funds. The change in net assets of the Internal Service Fund is reported with governmental activities.

\$ (23,250)

Change in net assets of governmental activities

\$ 804,606

See notes to financial statements.

KEOKUK COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Assets	
Cash and cash equivalents	\$ 92,052
Prepaid expenses	<u>63,474</u>
Total assets	<u>155,526</u>
Liabilities	
Accounts payable	5,334
Deferred revenue	<u>60,869</u>
Total liabilities	<u>66,203</u>
Net Assets	
Unrestricted	\$ <u><u>89,323</u></u>

See notes to financial statements.

KEOKUK COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Operating revenues:	
Charges to County operating funds and others	\$ <u>766,236</u>
Operating expenses:	
Dental claims	29,876
Medical insurance premiums	748,127
Stop-loss insurance premiums	1,325
Group life insurance premiums	4,800
Administrative fees	<u>5,912</u>
Total operating expenses	<u>790,040</u>
Operating loss	(23,804)
Non-operating revenues:	
Interest on investments	<u>554</u>
Net loss	(23,250)
Net assets beginning of year	<u>112,573</u>
Net assets end of year	\$ <u><u>89,323</u></u>

See notes to financial statements.

KEOKUK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2004

	<u>Internal Service - Employee Group Health</u>
Cash flows from operating activities:	
Cash received from charges to others	\$ 768,544
Cash payments for dental claims	(27,765)
Cash payments for insurance premiums	(752,792)
Cash payments for miscellaneous services	<u>(7,237)</u>
Net cash used in operating activities	<u>(19,250)</u>
Cash flows from investing activities:	
Interest on investments	<u>554</u>
Net decrease in cash and cash equivalents	(18,696)
Cash and cash equivalents at beginning of year	<u>110,748</u>
Cash and cash equivalents at end of year	\$ <u><u>92,052</u></u>
Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (23,804)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in prepaid expenses	135
Increase in accounts payable	2,111
Increase in deferred revenue	<u>2,308</u>
Net cash used in operating activities	\$ <u><u>(19,250)</u></u>

See notes to financial statements.

KEOKUK COUNTY
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

Assets	
Cash and pooled investments:	
County Treasurer	\$ 479,810
Other County officials	107,846
Receivables:	
Property tax:	
Delinquent	51,978
Succeeding year	8,754,000
Accounts	17,997
Accrued interest	39
Due from other governments	<u>4,088</u>
 Total assets	 <u>9,415,758</u>
Liabilities	
Accounts payable	12,203
Salaries and benefits payable	3,959
Due to other governments (note 7)	9,285,599
Trusts payable	<u>113,997</u>
 Total liabilities	 <u>9,415,758</u>
 Net assets	 \$ <u><u>-</u></u>

See notes to financial statements.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies

Keokuk County is a political subdivision of the State of Iowa and operates under the Home Rule provisions of the Constitution of Iowa. The County operates under the Board of Supervisors form of government. Elections are on a partisan basis. Other elected officials operate independently with the Board of Supervisors. These officials are the Auditor, Treasurer, Recorder, Sheriff, and Attorney. The County provides numerous services to citizens, including law enforcement, health and social services, parks and cultural activities, planning and zoning, roadway construction and maintenance, and general administrative services.

The County's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Keokuk County has included all funds, organizations, agencies, boards, commissions and authorities. The County has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the County to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the County. The County has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations – The County also participates in several jointly governed organizations that provide goods or services to the citizenry of the County but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The County Board of Supervisors are members of or appoint representatives to the following boards and commissions: Keokuk County Assessor's Conference Board, Keokuk County Emergency Management Commission, and Keokuk County Joint E-911 Service Board. Financial transactions of these organizations are included in the County's financial statements only to the extent of the County's fiduciary relationship with the organization and, as such, are reported in the Agency Funds of the County.

B. Basis of Presentation

Government-wide Financial Statements – The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the County and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by property tax, intergovernmental revenues and other nonexchange transactions.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

The statement of net assets presents the County's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management, which can be removed or modified.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The County reports the following major governmental funds:

The General Fund is the main operating fund of the County. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Mental Health Fund is used to account for property tax and other revenues designated to be used to fund mental health, mental retardation, and developmental disabilities services.

The Rural Services Fund is used to account for property tax and other revenues to provide services which are primarily intended to benefit those persons residing in the County outside of incorporated city areas.

The Secondary Roads Fund is used to account for secondary road construction and maintenance.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Additionally, the County reports the following funds:

Proprietary Fund - An Internal Service Fund is used to account for the financing of goods or services purchased by one department of the County and provided to other departments or agencies on a cost reimbursement basis.

Fiduciary Funds - Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, certain jointly governed organizations, other governmental units and/or other funds. Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary fund and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the County.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recorded as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

The proprietary fund of the County applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund are charges to customers for sales and services. Operating expenses for internal service funds include the cost of services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The County maintains its financial records on the cash basis. The financial statements of the County are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most County funds are pooled and invested. Interest earned on investments is recorded in the General Fund, unless otherwise provided by law. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in Governmental Funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the County Board of Supervisors. Delinquent property taxes receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Supervisors to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the Board of Supervisors is required to certify its budget in March of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

The property tax revenue recognized in these funds becomes due and collectible in September and March of the fiscal year with a 1 ½% per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified by the County Board of Supervisors in March 2003.

Interest and Penalty on Property Tax Receivable – Interest and penalty on property tax receivable represents the amount of interest and penalty that was due and payable but has not been collected.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method. Inventories in the Special Revenue Funds consist of expendable supplies held for consumption. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Capital Assets – Capital assets, which include property, equipment and vehicles, and infrastructure assets (e.g., roads, bridges, curbs, gutters, sidewalks, and similar items which are immovable and of value only to the government), are reported in the governmental activities column in the government-wide statement of net assets. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Reportable capital assets are defined by the County as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Infrastructure	\$ 50,000
Buildings and improvements	50,000
Equipment and vehicles	5,000

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Capital assets of the County are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	20-50
Improvements other than buildings	20-50
Infrastructure	40-65
Equipment and vehicles	5-20

Due to Other Governments – Due to other governments represents taxes and other revenues collected by the County and payments for services which will be remitted to other governments.

Trusts Payable – Trusts payable represents amounts due to others which are held by various County officials in fiduciary capacities until the underlying legal matters are resolved.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds, succeeding year property tax receivable, delinquent property tax receivables, other receivables not collected within sixty days after year end and prepaid health insurance premiums.

Deferred revenue in the statement of net assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and prepaid health insurance premiums.

Compensated Absences – County employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide, proprietary fund and fiduciary fund financial statements. A liability for these amounts is recorded in the governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2004. The compensated absences liability attributable to the governmental activities will be paid primarily by the General, Mental Health, and Secondary Roads Funds.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Fund Equity (continued)

Long-term Liabilities – In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund statement of net assets.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Balances – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions and disbursements in one department exceeded the amount appropriated prior to the amendment of the County appropriations.

Note 2. Cash and Pooled Investments

The County's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. The chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The County is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Supervisors; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The County's funds are all deposited in financial institution depository accounts.

KEOKUK COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 3. Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2004 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue: Secondary Roads	Special Revenue: Rural Services	\$ 1,000,000
Capital Projects	General	<u>5,000</u>
		<u>\$ 1,005,000</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

Note 4. Contracts Receivable – Secondary Roads

As of June 30, 2004, the County has long-term interest-free contracts receivable from four cities for reimbursements from road paving. Summaries of the payment schedules are as follows:

<u>Year Ending June 30,</u>	<u>City of Delta</u>	<u>City of Richland</u>	<u>City of Gibson</u>	<u>City of Harper</u>	<u>Total</u>
2005	\$ 3,423	\$ 11,000	\$ 2,500	\$ 3,229	\$ 20,152
2006	3,423	11,000	2,500	3,229	20,152
2007	3,347	11,000	2,500	3,229	20,076
2008	-	11,000	2,500	3,229	16,729
2009	-	11,000	2,500	3,229	16,729
2010-2014	-	16,932	12,500	16,144	45,576
2015-2019	-	-	12,379	12,656	25,035
Total	<u>\$ 10,193</u>	<u>\$ 71,932</u>	<u>\$ 37,379</u>	<u>\$ 44,945</u>	<u>\$ 164,449</u>

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 5. Revolving Loan Receivable

During the year ended June 30, 2000, the County received a Community Development Block Grant of \$500,000. The County made a long-term interest-free loan to Rosewood Farms for economic development. The loan was for \$300,000. The other \$200,000 was in the form of a Community Development Block Grant forgivable loan. During the year ended June 30, 2001, the loan was assigned to Iowa Turkey Growers Cooperative. All funds repaid will be used to make future economic development loans to eligible applicants. The following is a schedule of payments to be received on the loan:

<u>Year Ending June 30,</u>	<u>Amount</u>
2005	\$ 75,000
2006	<u> 75,000</u>
Total	<u><u>\$ 150,000</u></u>

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 6. Capital Assets

A summary of capital assets activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year, as Restated (note 13)	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 1,011,300	\$ -	\$ -	\$ 1,011,300
Capital assets being depreciated:				
Buildings	765,707	-	-	765,707
Machinery and equipment	3,135,150	340,891	256,967	3,219,074
Infrastructure	-	1,221,606	-	1,221,606
Total capital assets being depreciated	<u>3,900,857</u>	<u>1,562,497</u>	<u>256,967</u>	<u>5,206,387</u>
Less accumulated depreciation for:				
Buildings	332,625	15,142	-	347,767
Machinery and equipment	2,177,800	220,222	256,967	2,141,055
Infrastructure	-	24,378	-	24,378
Total accumulated depreciation	<u>2,510,425</u>	<u>259,742</u>	<u>256,967</u>	<u>2,513,200</u>
Total capital assets being depreciated, net	<u>1,390,432</u>	<u>1,302,755</u>	<u>-</u>	<u>2,693,187</u>
Governmental activities capital assets, net	<u>\$ 2,401,732</u>	<u>\$ 1,302,755</u>	<u>\$ -</u>	<u>\$ 3,704,487</u>

Depreciation expense was charged to the following functions:

Governmental activities:	
Public safety and legal services	\$ 34,219
Physical health and social services	2,158
County environment and education	11,105
Roads and transportation	207,650
Administration	<u>4,610</u>
Total depreciation expense - governmental activities	<u>\$ 259,742</u>

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 7. Due to Other Governments

The County purchases services from other governmental units and also acts as a fee and tax collection agent for various governmental units. Tax collections are remitted to those governments in the month following collection. A summary of amounts due to other governments is as follows:

<u>Fund</u>	<u>Description</u>	<u>Services and Collections</u>	<u>Delinquent and Succeeding Year Property Taxes</u>	<u>Total</u>
General	Services	\$ 10,163	\$ -	\$ 10,163
Special Revenue: Mental Health	Services	73,368	-	73,368
Total for governmental funds		<u>\$ 83,531</u>	<u>\$ -</u>	<u>\$ 83,531</u>
Agency:				
County Assessor	Collections	\$ 39,405	\$ 184,823	\$ 224,228
Schools		107,031	6,032,587	6,139,618
Area Schools		5,925	305,370	311,295
Corporations		27,253	1,266,031	1,293,284
Hospital		10,414	706,143	716,557
Auto License and Use Tax		198,731	-	198,731
All Other		90,862	311,024	401,886
Total for agency funds		<u>\$ 479,621</u>	<u>\$ 8,805,978</u>	<u>\$ 9,285,599</u>

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 8. Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Capital Loan Notes	Compensated Absences	Total
Balance beginning of year	\$ 768,000	\$ 148,159	\$ 916,159
Increases	575,000	208,194	783,194
Decreases	84,000	148,159	232,159
Balance end of year	<u>\$ 1,259,000</u>	<u>\$ 208,194</u>	<u>\$ 1,467,194</u>
Due within one year	<u>\$ 64,000</u>	<u>\$ 208,194</u>	<u>\$ 272,194</u>

Capital Loan Notes

Keokuk County has agreements with other entities whereby the Series 1994 and Series 1996 issues will be paid directly by these entities when revenues of these entities are sufficient. However, the County is primarily responsible for this debt and would be required to meet the payments should the other entities be unable to cover the principal and interest costs of these issues.

In July 2001, the County issued \$180,000 of capital loan notes to pay for the Meadowbrook sewer project. In February 2002, the County issued \$55,000 of capital loan notes to pay off the original \$180,000 capital loan notes. The Series 2002 notes are to be payable exclusively from special assessments collected on the Meadowbrook sewer project. In the event that special assessment collections are insufficient to make a principal and interest payment when due, the County has agreed to increase appropriations to the fund or issue additional notes to assure timely payment. The County is required to place 10% of special assessments collected in a reserve fund as security for payments on the notes. The amount reserved at June 30, 2004 was \$14,954.

In May 2003, the County issued \$70,000 of limited tax anticipation capital loan notes. The loan proceeds will be used to pay costs of acquiring fire equipment for Benton Township. The Series 2003 notes are to be payable from Benton Township's fire protection tax levied pursuant to Chapter 359.43 of the Code of Iowa. However, the County is primarily responsible for this debt and would be required to meet the payment should the township be unable to cover the principal and interest costs of this issue.

In June 2004, the County issued \$575,000 of crossover advance refunding capital loan notes to advance refund the Series 1996 capital loan notes. The net proceeds of \$565,491 has been placed in escrow and will be used to redeem the Series 1996 notes on their call date of June 1, 2005.

As a result of the crossover advance refunding, the County will reduce its total debt service requirements over the life of the notes by \$37,505, which will result in a present value economic gain of \$28,831.

KEOKUK COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 8. Long-Term Liabilities (continued)

Capital Loan Notes (continued)

A summary of the County's June 30, 2004 capital loan note indebtedness is as follows:

Year Ending June 30,	\$160,000 - Series 1994			\$800,000 - Series 1996		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2005	5.10 %	\$ 19,000	\$ 969	6.00 %	\$ 35,000	\$ 34,255
2006		-	-	5.50	35,000	32,155
2007		-	-	5.60	40,000	30,230
2008		-	-	5.75	40,000	27,990
2009		-	-	5.90	45,000	25,690
2010		-	-	6.00	45,000	23,035
2011		-	-	6.00	50,000	20,335
2012		-	-	6.00	50,000	17,335
2013		-	-	6.10	55,000	14,335
2014		-	-	6.10	55,000	10,980
2015		-	-	6.10	60,000	7,625
2016		-	-	6.10	65,000	3,965
Total		\$ 19,000	\$ 969		\$ 575,000	\$ 247,930

Year Ending June 30,	\$55,000 - Series 2002			\$70,000 - Series 2003		
	Interest Rates	Principal	Interest	Interest Rates	Principal	Interest
2005	6.00 %	\$ -	\$ 1,800	4.45 %	\$ 10,000	\$ 2,670
2006	6.00	-	1,800	4.45	10,000	2,225
2007	6.00	-	1,800	4.45	10,000	1,780
2008	6.00	5,000	1,800	4.45	10,000	1,335
2009	6.00	5,000	1,500	4.45	10,000	890
2010	6.00	5,000	1,200	4.45	10,000	445
2011	6.00	5,000	900		-	-
2012	6.00	10,000	600		-	-
2013		-	-		-	-
2014		-	-		-	-
2015		-	-		-	-
2016		-	-		-	-
Total		\$ 30,000	\$ 11,400		\$ 60,000	\$ 9,345

KEOKUK COUNTY

NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 8. Long-Term Liabilities (continued)

Capital Loan Notes (continued)

Year Ending June 30,	\$575,000 - Series 2004			Total	
	Interest Rates	Principal	Interest	Principal	Interest
2005	2.20 %	\$ -	\$ 20,848	\$ 64,000	\$ 60,542
2006	2.20	45,000	20,848	90,000	57,028
2007	2.65	50,000	19,857	100,000	53,667
2008	3.00	45,000	18,532	100,000	49,657
2009	3.25	50,000	17,183	110,000	45,263
2010	3.45	50,000	15,558	110,000	40,238
2011	3.70	55,000	13,832	110,000	35,067
2012	3.90	50,000	11,798	110,000	29,733
2013	4.05	55,000	9,847	110,000	24,182
2014	4.20	55,000	7,620	110,000	18,600
2015	4.35	60,000	5,310	120,000	12,935
2016	4.50	60,000	2,700	125,000	6,665
Total		\$ 575,000	\$ 163,933	\$ 1,259,000	\$ 433,577

During the year ended June 30, 2004, the County issued \$575,000 and retired \$20,000 of capital loan notes and \$64,000 was retired by other entities.

Note 9. Pension and Retirement Benefits

The County contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the County is required to contribute 5.75% of annual covered payroll except for law enforcement employees, in which case the percentages are 4.99% and 7.48%, respectively and conservation officers, in which case the percentages are 5.93% and 8.90%, respectively. Contribution requirements are established by State statute. The County's contribution to IPERS for the years ended June 30, 2004, 2003, and 2002 were \$139,922, \$136,841, and \$128,166, respectively, equal to the required contributions for each year.

KEOKUK COUNTY

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2004

Note 10. Risk Management

Keokuk County is exposed to various risks of loss related to torts; theft; damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The County assumes liability for any deductible and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 11. Employee Health Insurance Plan

The County has a minimum premium dental insurance plan, which is administered by Blue Cross and Blue Shield of Iowa. The County purchases commercial insurance to provide for aggregate stop-loss coverage for the excess of 125% of estimated claims for the plan year and specific stop-loss reinsurance coverage for the excess of \$35,000 in insured claims for any one covered individual. Settled claims have not exceeded the commercial coverage in the plan year ended June 30, 2004.

Monthly payments of plan contributions to the Keokuk County Employee Group Health Fund are recorded as expenditures from the operating funds. Under the administrative services agreement, monthly payments of service fees, claims processed and insurance premiums are paid to Blue Cross and Blue Shield of Iowa from the Keokuk County Employee Group Health Fund. The County records the plan assets and related liabilities of the Keokuk County Health Insurance Fund as an Internal Service Fund. The County's contribution to the fund for the year ended June 30, 2004 was \$766,236.

Note 12. Contingency

The County is involved in one ongoing lawsuit. The proceedings are still in the litigation stages and the outcome can not be determined at this time. The County's insurance carrier is affording coverage for the lawsuit.

Note 13. Accounting Change

Governmental Accounting Standards Board (GASB) Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements was implemented during the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences were implemented during the year ended June 30, 2004. The statements create new basic financial statements for reporting the County's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

KEOKUK COUNTY
NOTES TO FINANCIAL STATEMENTS
Year Ended June 30, 2004

Note 13. Accounting Change (continued)

The government-wide financial statements report the County's governmental activities. The beginning net asset amount for governmental activities has been restated to include capital assets, long-term liabilities, the Internal Service Fund and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

	<u>Total</u>
Net assets, June 30, 2003, as previously reported	\$ 5,615,616
GASB Interpretation 6 adjustments	<u>25,904</u>
Net assets, July 1, 2003, as restated for governmental funds	5,641,520
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$2,510,425	2,401,732
Long-term liabilities:	
Notes	(768,000)
Compensated absences	(148,159)
Internal service fund	112,573
Accrued interest payable	(5,212)
Change in deferral of long-term assets	<u>548,571</u>
Net assets, July 1, 2003, as restated	<u>\$ 7,783,025</u>

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Required Supplementary Information

KEOKUK COUNTY

Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances – Budget and Actual (Cash Basis) – All Governmental Funds Required Supplementary Information Year Ended June 30, 2004

	Actual	Budgeted Amounts		Final to Actual Variance
		Original	Final	
RECEIPTS:				
Property and other County tax	\$ 2,860,621	\$ 2,886,769	\$ 2,886,769	\$ (26,148)
Interest and penalty on property tax	32,710	11,000	11,000	21,710
Intergovernmental	3,180,286	3,077,025	3,052,578	127,708
Licenses and permits	19,658	20,950	20,950	(1,292)
Charges for service	640,382	600,090	600,090	40,292
Use of money and property	175,511	117,190	117,190	58,321
Miscellaneous	100,697	124,050	139,528	(38,831)
Total receipts	<u>7,009,865</u>	<u>6,837,074</u>	<u>6,828,105</u>	<u>181,760</u>
DISBURSEMENTS:				
Public safety and legal services	887,242	936,064	956,564	69,322
Physical health and social services	673,397	655,921	685,758	12,361
Mental health	667,897	1,061,523	1,061,523	393,626
County environment and education	385,091	405,562	405,562	20,471
Roads and transportation	3,230,728	4,194,000	4,194,000	963,272
Government services to residents	314,036	325,296	325,296	11,260
Administration	848,143	941,687	941,687	93,544
Non-program	-	6,044	21,522	21,522
Debt service	32,509	7,522	7,522	(24,987)
Capital projects	464,806	404,650	404,650	(60,156)
Total disbursements	<u>7,503,849</u>	<u>8,938,269</u>	<u>9,004,084</u>	<u>1,500,235</u>
Excess (deficiency) of receipts over (under) disbursements	(493,984)	(2,101,195)	(2,175,979)	1,681,995
Other financing sources, net	<u>575,060</u>	<u>200</u>	<u>200</u>	<u>574,860</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	81,076	(2,100,995)	(2,175,779)	2,256,855
Balance beginning of year	<u>5,305,181</u>	<u>6,459,571</u>	<u>6,459,571</u>	<u>(1,154,390)</u>
Balance end of year	<u>\$ 5,386,257</u>	<u>\$ 4,358,576</u>	<u>\$ 4,283,792</u>	<u>\$ 1,102,465</u>

See accompanying independent auditor's report.

KEOKUK COUNTY

Budgetary Comparison Schedule – Budget to GAAP Reconciliation Required Supplementary Information Year Ended June 30, 2004

	Governmental Funds		
	Cash Basis	Accrual Adjust- ments	Modified Accrual Basis
Revenues	\$ 7,009,865	\$ 56,845	\$ 7,066,710
Expenditures	7,503,849	(102,711)	7,401,138
Net	(493,984)	159,556	(334,428)
Other financing sources	575,060	-	575,060
Beginning fund balances, as restated	5,305,181	336,339	5,641,520
Ending fund balances	<u>\$ 5,386,257</u>	<u>\$ 495,895</u>	<u>\$ 5,882,152</u>

See accompanying independent auditor's report.

KEOKUK COUNTY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING

June 30, 2004

In accordance with the Code of Iowa, the County Board of Supervisors annually adopts a budget on the cash basis following required public notice and hearing for all funds, except blended component units and agency funds, and appropriates the amount deemed necessary for each of the different County offices and departments. The budget may be amended during the year utilizing similar statutorily prescribed procedures. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year end.

Formal and legal budgetary control is based upon ten major classes of expenditures known as functions, not by fund or fund type. These ten functions are: public safety and legal services, physical health and social services, mental health, county environment and education, roads and transportation, government services to residents, administration, non-program, debt service and capital projects. Function disbursements required to be budgeted include disbursements for the general fund, special revenue funds, debt service fund and capital projects funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not at the fund or fund type level. Legal budgetary control is also based upon the appropriation to each office or department. During the year, a budget amendment increased budgeted disbursements by \$65,815. This budget amendment is reflected in the final budgeted amounts.

In addition, annual budgets are similarly adopted in accordance with the Code of Iowa by the appropriate governing body as indicated: for the County Extension Office by the County Agricultural Extension Council, for the County Assessor by the County Conference Board, for the E-911 System by the Joint E-911 Service Board and for Emergency Management Services by the County Emergency Management Commission.

During the year ended June 30, 2004, disbursements exceeded the amounts budgeted in the Debt Service and Capital Projects functions and disbursements in the juvenile justice department exceeded the amount appropriated prior to the amendment of the County appropriations.

Other Supplementary Information

KEOKUK COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Economic Development Revolving Loan	REAP
Assets				
Cash and pooled investments	\$ 761	\$ 22,703	\$ 150,059	\$ 17,538
Receivables:				
Accrued interest	4	23	10	19
Special assessments	-	-	-	-
Due from other governments	-	14,196	-	-
Revolving loan receivable	-	-	150,000	-
Total assets	<u>\$ 765</u>	<u>\$ 36,922</u>	<u>\$ 300,069</u>	<u>\$ 17,557</u>
Liabilities and Fund Equity				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	-
Deferred revenue	-	-	150,000	-
Total liabilities	<u>-</u>	<u>-</u>	<u>150,000</u>	<u>-</u>
Fund equity:				
Fund balances:				
Reserved for:				
Capital loan notes	-	-	-	-
Unreserved	765	36,922	150,069	17,557
Total fund equity	<u>765</u>	<u>36,922</u>	<u>150,069</u>	<u>17,557</u>
Total liabilities and fund equity	<u>\$ 765</u>	<u>\$ 36,922</u>	<u>\$ 300,069</u>	<u>\$ 17,557</u>

See accompanying independent auditor's report.

<u>Meadowbrook Sewer Project</u>	<u>Conservation Land Acquisition</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 15,759	\$ 63,605	\$ 6,571	\$ 276,996
15	-	-	71
37,489	-	-	37,489
-	-	-	14,196
-	-	-	150,000
<u>\$ 53,263</u>	<u>\$ 63,605</u>	<u>\$ 6,571</u>	<u>\$ 478,752</u>

\$ -	\$ 1,780	\$ -	\$ 1,780
31,936	-	-	181,936
<u>31,936</u>	<u>1,780</u>	<u>-</u>	<u>183,716</u>

14,954	-	-	14,954
6,373	61,825	6,571	280,082
<u>21,327</u>	<u>61,825</u>	<u>6,571</u>	<u>295,036</u>
<u>\$ 53,263</u>	<u>\$ 63,605</u>	<u>\$ 6,571</u>	<u>\$ 478,752</u>

KEOKUK COUNTY

COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2004

	Special Revenue			
	County Recorder's Records Management	County Recorder's Electronic Transaction Fee	Economic Development Revolving Loan	REAP
Revenues:				
Intergovernmental	\$ -	\$ -	\$ 75,000	\$ 9,530
Charges for service	2,689	36,885	-	-
Use of money and property	15	37	69	165
Miscellaneous	-	-	-	-
Total revenues	<u>2,704</u>	<u>36,922</u>	<u>75,069</u>	<u>9,695</u>
Expenditures:				
Operating:				
Government services to residents	3,328	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	11,907
Total expenditures	<u>3,328</u>	<u>-</u>	<u>-</u>	<u>11,907</u>
Excess (deficiency) of revenues over (under) expenditures	(624)	36,922	75,069	(2,212)
Other financing sources:				
Interfund transfers in	-	-	-	-
Net change in fund balances	(624)	36,922	75,069	(2,212)
Fund balances beginning of year	<u>1,389</u>	<u>-</u>	<u>75,000</u>	<u>19,769</u>
Fund balances end of year	<u>\$ 765</u>	<u>\$ 36,922</u>	<u>\$ 150,069</u>	<u>\$ 17,557</u>

See accompanying independent auditor's report.

Meadowbrook Sewer Project	Conservation Land Acquisition	Lake Belva Deer DNR Cost-share	Capital Projects	Total
\$ -	\$ -	\$ -	\$ -	84,530
23,261	20,104	-	-	82,939
177	59,437	4,573	-	64,473
-	52,955	-	-	52,955
23,438	132,496	4,573	-	284,897
-	-	-	-	3,328
23,000	-	-	-	23,000
-	103,809	4,417	2,579	122,712
23,000	103,809	4,417	2,579	149,040
438	28,687	156	(2,579)	135,857
-	-	-	5,000	5,000
438	28,687	156	2,421	140,857
20,889	33,138	(156)	4,150	154,179
\$ 21,327	\$ 61,825	\$ -	\$ 6,571	\$ 295,036

KEOKUK COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS

June 30, 2004

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ -	\$ -	\$ -	1,249
Other County officials	103,824	218	3,804	-
Receivables:				
Property tax:				
Delinquent	-	-	-	314
Succeeding year	-	-	-	70,000
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	\$ <u>103,824</u>	\$ <u>218</u>	\$ <u>3,804</u>	\$ <u>71,563</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	-
Salaries and benefits payable	-	-	-	-
Due to other governments	-	218	-	71,563
Trusts payable	103,824	-	3,804	-
Total liabilities	\$ <u>103,824</u>	\$ <u>218</u>	\$ <u>3,804</u>	\$ <u>71,563</u>

	City Special Assessments	Emergency Management	Auto License and Use Tax	Tax Sale Redemption
ASSETS				
Cash and pooled investments:				
County Treasurer	\$ 334	\$ 5,884	\$ 207,067	\$ 6,369
Other County officials	-	-	-	-
Receivables:				
Property tax:				
Delinquent	-	-	-	-
Succeeding year	-	-	-	-
Accounts	-	-	-	-
Accrued interest	-	-	-	-
Due from other governments	-	4,088	-	-
	<hr/>			
Total assets	\$ <u>334</u>	\$ <u>9,972</u>	\$ <u>207,067</u>	\$ <u>6,369</u>
LIABILITIES				
Accounts payable	\$ -	\$ 40	\$ 8,336	\$ -
Salaries and benefits payable	-	792	-	-
Due to other governments	334	9,140	198,731	-
Trusts payable	-	-	-	6,369
	<hr/>			
Total liabilities	\$ <u>334</u>	\$ <u>9,972</u>	\$ <u>207,067</u>	\$ <u>6,369</u>

See accompanying independent auditor's report.

KEOKUK COUNTY

COMBINING SCHEDULE OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2004

	County Offices			Agricultural
	County Auditor	County Recorder	County Sheriff	Extension Education
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 103,007	\$ -	\$ 5,584	\$ 71,426
Additions:				
Property and other County tax	-	-	-	70,032
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	4,501
Emergency management grants	-	-	-	-
Office fees and collections	949	171,399	51,386	-
Auto licenses, use tax and postage	-	-	-	-
Assessments	-	-	-	-
Trusts	4,425	-	231,046	-
Miscellaneous	-	-	-	-
Total additions	5,374	171,399	282,432	74,533
Deductions:				
Agency remittances:				
To other funds	949	82,010	51,386	-
To other governments	-	89,171	-	74,396
Trusts paid out	3,608	-	232,826	-
Total deductions	4,557	171,181	284,212	74,396
Balances end of year	\$ 103,824	\$ 218	\$ 3,804	\$ 71,563

County Assessor	Schools	Area Schools	Corporations	Hospital	Townships	Fire Districts
\$ 205,887	\$ 6,264,653	\$ 351,825	\$ 1,249,719	\$ 606,931	\$ 72,506	\$ 191,241
184,264	497,596	303,331	1,255,725	702,506	70,918	166,541
-	-	-	-	-	-	-
10,663	396,121	21,985	122,888	37,994	4,697	10,310
-	-	-	-	-	-	-
2,559	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
40	-	-	-	-	-	-
197,526	6,393,717	325,316	1,378,613	740,500	75,615	176,851
-	-	-	-	-	-	-
175,032	6,518,752	365,846	1,335,048	630,874	73,126	194,171
-	-	-	-	-	-	-
175,032	6,518,752	365,846	1,335,048	630,874	73,126	194,171
\$ 228,381	\$ 6,139,618	\$ 311,295	\$ 1,293,284	\$ 716,557	\$ 74,995	\$ 173,921

KEOKUK COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
 AGENCY FUNDS
 Year Ended June 30, 2004

	City Special Assessments	Emergency Management	Auto License and Use Tax	Anatomical Gift, Public Awareness and Transportation
ASSETS AND LIABILITIES				
Balances beginning of year	\$ 2,631	\$ -	\$ 186,420	\$ -
Additions:				
Property and other County tax	-	-	-	-
E-911 surcharge	-	-	-	-
State tax credits	-	-	-	-
Emergency management grants	-	19,298	-	-
Office fees and collections	-	-	-	-
Auto licenses, use tax and postage	-	-	2,173,532	-
Assessments	17,145	-	-	-
Trusts	-	-	-	-
Miscellaneous	-	26,199	-	37
Total additions	17,145	45,497	2,173,532	37
Deductions:				
Agency remittances:				
To other funds	-	-	83,340	-
To other governments	19,442	35,525	2,069,545	37
Trusts paid out	-	-	-	-
Total deductions	19,442	35,525	2,152,885	37
Balances end of year	\$ 334	\$ 9,972	\$ 207,067	\$ -

See accompanying independent auditor's report.

<u>Tax Sale Redemption</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>E - 9 1 1</u>	<u>T o t a l</u>
\$ <u>2 9 , 2 5 7</u>	\$ <u>3 , 0 0 2</u>	\$ <u>5 3 , 4 2 8</u>	\$ <u>9 , 3 9 7 , 5 2 5</u>
-	1 , 7 7 2	-	8 , 7 5 2 , 6 9 2
-	-	7 3 , 6 0 1	7 3 , 6 0 1
-	1 1 3	-	6 0 9 , 2 7 2
-	-	-	1 9 , 2 9 8
-	-	-	2 2 6 , 2 9 3
-	-	-	2 , 1 7 3 , 5 3 2
-	-	-	1 7 , 1 4 5
7 7 , 4 3 4	-	-	3 1 2 , 9 0 5
-	-	3 8 5	2 6 , 6 6 1
<u>7 7 , 4 3 4</u>	<u>1 , 8 8 5</u>	<u>7 3 , 9 8 6</u>	<u>1 2 , 2 1 1 , 3 9 9</u>
-	-	-	2 1 7 , 6 8 5
-	1 , 9 5 2	5 5 , 8 0 1	1 1 , 6 3 8 , 7 2 5
<u>1 0 0 , 3 2 2</u>	<u>-</u>	<u>-</u>	<u>3 3 6 , 7 5 6</u>
<u>1 0 0 , 3 2 2</u>	<u>1 , 9 5 2</u>	<u>5 5 , 8 0 1</u>	<u>1 2 , 1 9 3 , 1 6 6</u>
\$ <u><u>6 , 3 6 9</u></u>	\$ <u><u>2 , 9 3 5</u></u>	\$ <u><u>7 1 , 6 1 3</u></u>	\$ <u><u>9 , 4 1 5 , 7 5 8</u></u>

KEOKUK COUNTY

COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
Year Ended June 30, 2004

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 2,860,621	\$ 2,768,801	\$ 2,758,773	\$ 2,914,131
Interest and penalty on property tax	32,710	33,782	34,431	29,400
Intergovernmental	3,589,148	3,738,618	3,745,125	4,217,916
Licenses and permits	19,973	17,362	17,490	25,474
Charges for service	307,125	234,682	336,720	215,163
Use of money and property	157,683	177,960	178,088	248,228
Fines, forfeitures and defaults	-	-	60	100
Miscellaneous	99,450	62,853	49,504	160,662
Total	<u>\$ 7,066,710</u>	<u>\$ 7,034,058</u>	<u>\$ 7,120,191</u>	<u>\$ 7,811,074</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 906,648	\$ 808,504	\$ 798,344	\$ 692,544
Physical health and social services	656,083	611,624	724,945	567,521
Mental health	662,544	775,723	835,382	777,040
County environment and education	386,606	370,534	361,958	278,952
Roads and transportation	3,162,779	3,009,989	2,946,331	3,056,914
Government services to residents	315,607	272,542	255,619	234,197
Administration	817,056	836,562	766,973	746,056
Non-program	-	-	6,922	6,922
Debt service	32,509	7,522	184,800	-
Capital projects	461,306	517,624	136,411	863,422
Total	<u>\$ 7,401,138</u>	<u>\$ 7,210,624</u>	<u>\$ 7,017,685</u>	<u>\$ 7,223,568</u>

See accompanying independent auditor's report.

<u>Tax Sale Redemption</u>	<u>Brucellosis and Tuberculosis Eradication</u>	<u>E-911</u>	<u>Total</u>
\$ <u>29,257</u>	\$ <u>3,002</u>	\$ <u>53,428</u>	\$ <u>9,397,525</u>
-	1,772	-	8,752,692
-	-	73,601	73,601
-	113	-	609,272
-	-	-	19,298
-	-	-	226,293
-	-	-	2,173,532
-	-	-	17,145
77,434	-	-	312,905
-	-	385	26,661
<u>77,434</u>	<u>1,885</u>	<u>73,986</u>	<u>12,211,399</u>
-	-	-	217,685
-	1,952	55,801	11,638,725
100,322	-	-	336,756
<u>100,322</u>	<u>1,952</u>	<u>55,801</u>	<u>12,193,166</u>
\$ <u><u>6,369</u></u>	\$ <u><u>2,935</u></u>	\$ <u><u>71,613</u></u>	\$ <u><u>9,415,758</u></u>

KEOKUK COUNTY

SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION

ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2004	2003	2002	2001
Revenues:				
Property and other County tax	\$ 2,860,621	\$ 2,768,801	\$ 2,758,773	\$ 2,914,131
Interest and penalty on property tax	32,710	33,782	34,431	29,400
Intergovernmental	3,589,148	3,738,618	3,745,125	4,217,916
Licenses and permits	19,973	17,362	17,490	25,474
Charges for service	307,125	234,682	336,720	215,163
Use of money and property	157,683	177,960	178,088	248,228
Fines, forfeitures and defaults	-	-	60	100
Miscellaneous	99,450	62,853	49,504	160,662
Total	<u>\$ 7,066,710</u>	<u>\$ 7,034,058</u>	<u>\$ 7,120,191</u>	<u>\$ 7,811,074</u>
Expenditures:				
Current:				
Public safety and legal services	\$ 906,648	\$ 808,504	\$ 798,344	\$ 692,544
Physical health and social services	656,083	611,624	724,945	567,521
Mental health	662,544	775,723	835,382	777,040
County environment and education	386,606	370,534	361,958	278,952
Roads and transportation	3,162,779	3,009,989	2,946,331	3,056,914
Government services to residents	315,607	272,542	255,619	234,197
Administration	817,056	836,562	766,973	746,056
Non-program	-	-	6,922	6,922
Debt service	32,509	7,522	184,800	-
Capital projects	461,306	517,624	136,411	863,422
Total	<u>\$ 7,401,138</u>	<u>\$ 7,210,624</u>	<u>\$ 7,017,685</u>	<u>\$ 7,223,568</u>

See accompanying independent auditor's report.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING

To the Officials of Keokuk County:

We have audited the financial statements of Keokuk County, Iowa, as of and for the year ended June 30, 2004, and have issued our report thereon dated February 9, 2005. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Keokuk County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the County's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during our audit of the basic financial statements of the County. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes. Prior year statutory comments have been resolved except for items II-B-04, II-J-04, II-K-04, II-L-04, and II-M-04.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Keokuk County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Keokuk County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we believe items I-A-04 and I-D-04 are material weaknesses. Prior year reportable conditions have all been resolved except for items I-A-04, I-B-04, I-C-04, I-D-04, I-E-04, and I-F-04.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Keokuk County and other parties to whom Keokuk County may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Keokuk County during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Oskaloosa, Iowa
February 9, 2005

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

REPORTABLE CONDITIONS:

I-A-04 Segregation of Duties

Comment – During our review of the internal control structure, the existing procedures are evaluated in order to determine that incompatible duties, from a control standpoint, are not performed by the same employee. This segregation of duties helps to prevent losses from employee error or dishonesty and therefore maximizes the accuracy of the County's financial statements. We noted that generally one or two individuals in the offices identified may have control over the following areas for which no compensating controls exist:

	<u>Applicable Offices</u>
(1) All incoming mail should be opened by an employee who is not authorized to make entries to the accounting records. This employee should prepare a listing of cash and checks received. The mail should then be forwarded to the accounting personnel for processing. Later, the same listing should be compared to the cash receipt records.	Ag Extension, Recorder, Sheriff
(2) a) Bank accounts should be reconciled promptly at the end of each month by an individual who does not sign checks.	Ag Extension, Sheriff, Treasurer
b) Bank accounts should be reconciled promptly at the end of each month by an individual who does not handle or record cash.	Ag Extension, Recorder, Sheriff, Treasurer
(3) Checks or warrants should be signed by an individual who does not otherwise participate in the preparation of the checks or warrants. Prior to signing, the checks or warrants and the supporting documentation should be reviewed for propriety. After signing, the checks or warrants should be mailed without allowing them to return to individuals who prepare the checks or warrants or approve vouchers for payment.	Ag Extension, Recorder, Sheriff

Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, each official should review the control procedures of their office to obtain the maximum internal control possible under the circumstances. The official should utilize current personnel to provide additional control through review of financial transactions, reconciliations and reports. Such reviews should be performed by independent persons to the extent possible, and should be evidenced by the initials or signature of the reviewer and the date of the review.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-A-04 Segregation of Duties (continued)

Responses –

Ag Extension – We will review procedures and try to make any necessary changes to improve internal control.

County Recorder – At the end of each day a listing of cash receipts, a fee book report of entered business and cash on hand are balanced or compared by two or more employees. Bank accounts are reconciled promptly by the Deputy Recorder, who does not sign checks except in the absence of the Recorder. Two or more employees are involved in comparing a listing of cash receipts, fee book report of entered business and actual cash to balance before weekly cash deposits are made. The same practice is used monthly and quarterly to balance at the end of each month and quarter. It should be noted that at the end of the fiscal year the Recorder's two checking accounts obtain a zero balance as no monies are retained by this office except for \$100.00 petty cash retained for the cash register. All monies either monthly or quarterly are reported to the County Treasurer or appropriate state or federal agencies. As this office employs a full-time Recorder, a full-time Deputy and a part-time Recording clerk, I feel we have accomplished a segregation of duties to the best of our ability.

County Sheriff - We will review procedures and try to make any necessary changes to improve internal control.

County Treasurer – We have reviewed procedures and made significant changes to improve internal control. The size of the staff makes it difficult to make significant improvements in all areas. We do try to work jointly in as many ways as possible.

Conclusion – Responses accepted.

I-B-04 County Sheriff Bank Reconciliations – It was noted that bank reconciliations for the Sheriff's fees account were not always being performed each month, but only as time allowed. Several errors were noted in the monthly ledger and the year end trust balance of \$3,097.01 was unreconciled at year end. There are also a few old outstanding checks over a year old which should be investigated and written off or reissued as necessary.

Recommendation – Bank accounts should be reconciled each month. Assistance should be obtained if needed. Old outstanding checks over a year old should be investigated. It appears that of the year end balance, \$1,824.65 is due to the General Fund for Sheriff's fees, mileage and other miscellaneous adjustments. The balance of \$1,272.36 is for an execution on a judgment received July 6, 2003, which has never been remitted to the applicable Clerk of Court.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-B-04 County Sheriff Bank Reconciliations (continued)

Response – Bank reconciliations will be done monthly in the future. We will review the year end balance and ledger recording errors and make the appropriate adjustments to our records. Old outstanding checks will be investigated and written off or reissued as necessary. The \$1,272.36 is excess withholdings received on a garnishment. We will contact the applicable attorney and Clerk of Court to determine where to remit these funds.

Conclusion – Response accepted.

I-C-04 Delinquent Tax Reconciliation – The County Treasurer did not prepare a delinquent tax reconciliation by taxing district.

Recommendation – The County Treasurer should prepare a delinquent tax reconciliation by taxing district at year end in order to maintain an accurate account of delinquent taxes.

Response – We will prepare a delinquent tax reconciliation by taxing district in the future.

Conclusion – Response accepted.

I-D-04 Current Tax Reconciliation – The County Treasurer was unable to reconcile the current abstract to current tax collections and adjustments for all taxing districts.

Recommendation – The County Treasurer should prepare a current tax reconciliation by taxing district at year end in order to maintain an accurate account of current taxes.

Response – We will prepare a current tax reconciliation by taxing district in the future.

Conclusion – Response accepted.

I-E-04 Disbursements – Out of forty-four disbursements tested, one was not supported by an invoice or receipt.

Recommendation – All disbursements should be adequately supported by an invoice, receipt or other written documentation.

Response – We will make sure that all future disbursements are properly supported.

Conclusion – Response accepted.

I-F-04 Nontimely Deposits – We noted some receipts that were not deposited timely in the Sheriff's office. Some receipts were held undeposited by the County Sheriff's office for up to forty days.

Recommendation – All receipts should be deposited as soon as possible to safeguard the asset and avoid any possible irregularities and to earn the interest revenue on the public funds. Deposits should be made weekly at a minimum, if daily deposits are not possible.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part I: Findings Related to the General Purpose Financial Statements (continued):

REPORTABLE CONDITIONS (continued):

I-F-04 Nontimely Deposits (continued)

Response – County Sheriff – We will make sure that all receipts are deposited timely.

Conclusion – Response accepted.

I-G-04 Apportionment and Coding Errors – We noted that the County misapportioned \$2,764 to the wrong taxing District and recorded \$3,253 of other receipts as current tax receipts.

Recommendation – The County should use more care in coding receipts and apportionments. The \$2,764 apportionment error needs to be corrected.

Response – We will correct the misapportionment and be more careful in coding receipts and apportionments.

Conclusion – Response accepted.

I-H-04 Mileage Support – We noted that there was no support for the Emergency Management Services director's mileage reimbursements.

Recommendation – All mileage reimbursements should be supported by a daily log or other record showing date, destination, mileage, and purpose.

Response – A daily log is now being kept and included with all mileage claims.

Conclusion – Response accepted.

I-I-04 Payroll Timesheets – We noted one employee with no support for the overtime hours.

Recommendation – All employees should fill out timesheets for all of their hours worked.

Response – Employees are now including all hours worked on their timesheets.

Conclusion – Response accepted.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting:

- II-A-04 Official Depositories – A resolution naming official depositories has been adopted by the Board of Supervisors. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2004.
- II-B-04 Certified Budget – Disbursements during the year ended June 30, 2004 exceeded the amounts budgeted in the debt service and capital projects functions. Also, disbursements in one department (juvenile justice) exceeded the amount appropriated prior to the amendment of the County appropriations.

Recommendation – The budget should have been amended in accordance with Chapter 331.435 of the Code of Iowa before disbursements were allowed to exceed the budget.

Chapter 331.434(6) of the Code of Iowa authorizes the Board of Supervisors, by resolution, to increase or decrease appropriations of one office or department by increasing or decreasing the appropriation of another office or department as long as the service area budget is not increased. Such increases or decreases should be made before disbursements are allowed to exceed the appropriation.

Response – We will amend the budget when required and appropriations will be watched more closely by the departments.

Conclusion – Response accepted.

- II-C-04 Questionable Expenditures – Certain expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented. These expenditures are detailed as follows:

<u>Paid To</u>	<u>Fund Used</u>	<u>Purpose</u>	<u>Amount</u>
Platinum Plus for Business	Secondary Roads	Unused hotel room	\$ 97

Recommendation – All disbursements should be scrutinized more carefully in the future to ensure that all disbursements serve a public purpose.

Response – This was an isolated instance where we forgot to cancel a hotel room reservation. We will be more careful in the future and watch for and screen out similar disbursements.

Conclusion – Response accepted.

- II-D-04 Travel Expense – No expenditures of County money for travel expenses of spouses of County officials or employees were noted.
- II-E-04 Business Transactions – No business transactions between the County and County officials or employees were noted.
- II-F-04 Bond Coverage – Surety bond coverage of County officials and employees is in accordance with statutory provisions. The amount of all bonds should be reviewed periodically to insure that the coverage remains adequate for current operations.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-G-04 Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- II-H-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the County’s investment policy were noted.
- II-I-04 Resource Enhancement and Protection Certification – The County properly dedicated property tax revenue to conservation purposes as required by Chapter 455A.19(1)(b) of the Code of Iowa in order to receive the additional REAP funds allocated in accordance with subsections (b)(2) and (b)(3).
- II-J-04 County Extension Office – The County Extension Office is operated under the authority of Chapter 176A of the Code of Iowa and serves as an agency of the State of Iowa. This fund is administered by an extension council separate and distinct from County operations and, consequently, is not included in Exhibits A or B.

Disbursements during the year ended June 30, 2004 for the County Extension Office did not exceed the amount budgeted.

The Board Treasurer’s bond covered the amount required by Chapter 176A.14(5) of the Code of Iowa.

We noted that the names of two former employees are still listed as authorized check signers for one County Extension bank account.

Recommendation – The County Extension office should update the authorized signature card for the applicable account and timely update all signature cards for any changes in the future.

Response – We will update the authorized signatures and will make all necessary changes in a timely manner in the future.

Conclusion – Response accepted.

- II-K-04 Treasurer’s Semi-annual Report – The County Treasurer’s semi-annual report for the six months ended June 30, 2004 was published as required by Chapter 349.16(3) of the Code of Iowa. However, we noted that the report did not include the total of warrants outstanding against each fund.

Recommendation – The Treasurer’s semi-annual reports should be published accurately and completely. The report should include the warrants outstanding against each fund.

Response – This was an oversight. The report for the six months ended December 31, 2003 was properly published. We will make sure that all reports are properly published in the future.

Conclusion – Response accepted.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

- II-L-04 Economic Development – During the year ended June 30, 2004, the County paid \$3,000 to the Sigourney Area Development Corporation, which may not be an appropriate expenditure of public funds since the public benefits to be derived have not been clearly documented.

According to Chapter 15A of the Code of Iowa and an Attorney General's opinion dated August 28, 1986, government financing of economic development may, in appropriate circumstances, serve a public purpose. The opinion advises that the governing body should evaluate the public benefits to be obtained and discuss specific criteria to be considered in documenting the public purpose.

Recommendation – The Board should evaluate and document the public purpose served by the expenditure before authorizing further payments and should require documentation of how the funds were used to accomplish economic development activities.

Response – We will obtain the necessary documentation for past expenditures and will consider these requirements in the future.

Conclusion – Response accepted.

- II-M-04 Property Tax Penalty – We noted that the penalties on property taxes were not calculated correctly for June payments and tax sales.

Recommendation – All delinquent tax payments should be charged penalties at 1½% per month.

Response – We have corrected the property tax penalty calculation as of June 2004.

Conclusion – Response accepted.

- II-N-04 Special Assessment Interest – We noted that the interest on late special assessment payments was recorded in the Special Revenue, Meadowbrook Sewer Project Fund instead of the General Fund as required by Chapter 445.39 and 445.57 of the Code of Iowa.

Recommendation – Interest on late special assessment payments should be recorded in the General Fund.

Response – We will record interest on late special assessment payments in the General Fund in the future.

Conclusion – Response accepted.

- II-O-04 Salary Approvals – We noted an employee who received a pay raise mid-year that was not approved by the Board as required by Chapter 331.904 of the Code of Iowa.

Recommendation – All pay raises for deputies, assistants, and clerks should be approved by the Board.

Response – The Board disallowed the raise and reduced the pay in the remaining pay periods to rectify this situation. All future pay raises will be approved by the Board.

Conclusion – Response accepted.

KEOKUK COUNTY
SCHEDULE OF FINDINGS

Year Ended June 30, 2004

Part II: Other Findings Related to Required Statutory Reporting (continued):

II-P-04 Emergency Management Commission Minutes – We noted the following items:

- 1) The minutes for four meetings were not signed.
- 2) There was no annual election of officers as required by the Commission’s by-laws.
- 3) The minutes did not state that there was a public hearing held for the approval of the budget.

Recommendation – All minutes should be signed and should include all actions taken, including public hearings held. The Commission should hold an annual election of officers.

Response – This was the first full year the Emergency Management Commission has been in existence and we were not aware of all the requirements. In the future, all minutes will be signed and include public hearings held and we will hold an annual election of officers.

Conclusion – Response accepted.

II-Q-04 Emergency Management Services – We noted that Emergency Management Services has a courthouse office, a home office, and an office with equipment in a separate building. This appears to violate Chapter 29C.12 that requires the utilization, to the maximum extent practicable, of existing facilities.

Recommendation – Emergency Management Services should try to use the existing Courthouse facility or have only one outside location.

Response – We will review the situation and implement any changes we deem necessary.

Conclusion – Response accepted.

II-R-04 Credit Card Policy – The County’s credit card policy states that the maximum credit limit for any County credit card is \$500. However, we noted a payment for charges of \$1,674 on the public health credit card.

Recommendation – The County should contact the credit card company and set the maximum limit at \$500 to be in compliance with the County’s credit card policy.

Response – Public health was unaware of the policy limit at the time the charge was made. We will monitor charges more closely in the future to make sure they do not exceed the \$500 limit.

Conclusion – Response accepted.

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